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IN THE

Supreme Court of the United States

OCTOBER TERM 1969

DOCKET NO. 1372

LEO FEIST, INC., MILLS MUSIC, INC., SHAPIRO, BERNSTEIN & CO., INC., DESYLVA, BROWN & HENDERSON, INC., and PEER INTERNATIONAL CORPORATION,

Petitioners,

against

APOLLO RECORDS N. Y. CORP., MASTERTONE RECORDING STUDIOS, INC., GENE SAYET, SIDNEY FELDMAN, GEORGE ALBERT and CARL LEBOW,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION

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249 Press of Fremont Payne, Inc., 417 Canal St., N. Y.—966—6570

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Respondents.

RESPONDENTS' BRIEF IN OPPOSITION

Defendants' Summary of the Facts as Found by the Court

Plaintiffs owned copyrights to specified musical compositions. The defendants Apollo Records N. Y. Corp. (hereinafter referred to as Apollo), and Mastertone Recording Studios, Inc. (hereinafter referred to as Mastertone), are New York corporations (158a). Defendant George Albert was the president and sole stockholder of Apollo (160a). Defendant Carl LeBow was its general manager (161a). Defendant Gene Sayet was the recording engineer employed

by Mastertone and also its secretary and a stockholder. Defendant Sidney Feldman was the recording engineer employed by Mastertone and also its treasurer and a stockholder (162a).

Apollo manufactured a long playing phonograph record of the copyrighted musical compositions in Latin dance tempo as part of an album bearing the legend on its jacket, "The Swinging 20's go Latin", with Apollo's name and address thereon (Plaintiffs' Exhibit 13 (160a)). The musical compositions were used in the manufacture of the phonograph records in the absence of a license agreement or prior service of notice of intention to use said compositions under the compulsory license provisions of the Copyright Act (160a). Defendant George Albert had nothing to do with the management of Apollo. He had provided the initial capital; financed its operations and engaged its accountant and general manager (160a). Defendant Carl LeBow originated the idea for the phonograph record and arranged for the initial recording of plaintiffs' musical compositions.

The recording of Plaintiffs' Exhibit 13 was done by Mastertone. Defendant Gene Sayet served as audio mixer and editor of this recording and defendant Sidney Feldman as the engineer (162a). Prior to the production of the phonograph records at issue, plaintiffs licensed the production of records with Latin dance arrangements (162a). The records in Plaintiffs' Exhibit 13 were pressed by Silver Park Records, Inc. (hereinafter referred to as Silver Park), which was the only record presser for this recording (162a).

The District Court found that neither George Albert nor Carl LeBow is liable for the acts of Apollo (161a); that sole responsibility in the premises rests with Apollo, and that Mastertone, George Sayet and Sidney Feldman are not liable for the manufacture of Plaintiffs' Exhibit 13 (162a).

Apollo maintained shipping invoices from Silver Park showing each and every record manufactured (162a-163a); which records, were then sold to 19 or 20 record distributors. Apollo maintained sales invoices showing each and every record sold by it to distributors. Thus, Apollo maintained in its files all purchase and all shipping invoices dealing with Plaintiffs' Exhibit 13 (163a).

Subsequent to the institution of this lawsuit, Leon Schuster, a certified public accountant since 1937, employed by Apollo as accountant, compared the purchase invoices (Defendants' Exhibit B) with duplicate records supplied by Silver Park and they matched exactly. He then compared the purchase invoices with sales invoices (Defendants' Exhibit C) and prepared a general summary of the manufacture and sales of Plaintiffs' Exhibit 13. The resulting summary (Defendants' Exhibit D) indicates that a total of 3,086 records were purchased from Silver Park of which 494 were distributed free and 1,684 were sold to distributors (163a).

The general books of account, inadvertently misplaced or destroyed, contained only monthly summaries, which tallied with the respective invoices in Defendants' Exhibits B and C (163a). Plaintiffs are entitled to royalties of $548.29 (164a).

The manufacture of Plaintiffs' Exhibit 13 occurred between May and September, 1961; the sale of the offending recordings occurred between May 1961 and May 1962 (Defendants' Exhibit D, 164a). On or about September 23, 1964 Apollo served upon the respective plaintiffs, and sent to the Copyright Office, a purported "Notice of Intention to use a copyrighted musical composition," dated June 11, 1962 (164a). On September 28, 1964, defendants delivered to plaintiffs a check, representing purported payment for such uses of copyrighted material as had previously been made, together with a certified report and analysis of sales of the album at issue and photostatic copies of each invoice

submitted both by the record presser and by Apollo, including the sale and distribution of said album (164a).

By written communication dated June 8, 1962 and September 17, 1962, Apollo offered to pay the royalties due under 17 U.S.C. § 101(e) (164a) plus reasonable penalties and costs. Again on March 12, 1964, by written communication, Apollo renewed its offer to settle all royalties due under § 101(e). All offers were rejected by plaintiffs (164a-165a). Apollo has, and continues to be, ready, able and willing, to pay any and all royalties, plus penalties and costs, which may be assessed in connection with the production of said record under § 101(e) and has tendered and continues to tender such payment (165a).

The first official request by plaintiffs for an accounting pursuant to 17 U.S.C. § 101(e) occurred by written communication dated December 4, 1961 (Plaintiffs' Exhibit 7; 165a). The first offer to account for royalties due from defendants to plaintiffs occurred on June 8, 1962 (165a). Apollo was accordingly four and one-half months delinquent (165a).

The Court found that plaintiffs are entitled to damages in the amount of an additional $548.29 for violation of the notice provisions of 17 U.S.C. § 101(e), thus requiring a royalty of $1,096.58 total (165a). No further damages are justified due to the continuous and conscientious attempts by defendants to settle the royalties due, and the corresponding bad faith of the plaintiffs in refusing to accept royalties tendered while insisting upon expanded damages under 17 U.S.C. § 101(b) (165a).

Plaintiffs are entitled to no award for the alleged infringement of copyright predicated upon 17 U.S.C. § 101 (b), since their sole remedy on these facts lies under 17 U.S.C. § 101(e).

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The United States Court of Appeals, Second Circuit, unanimously affirmed "the considered opinion, findings of fact, and conclusions of law filed by Judge Levet, reported at 300 F. Supp. 32 (SDNY 1969)."

The Court's Discussion

The Court's Discussion, following its determination is so succinctly set forth as to bear verbatim presentation at this point.

DISCUSSION

I.

THE ALLEGED VIOLATION OF 17 U.S.C. § 101(b) BY THE MAKING OF A COMPLETELY NEW AND UNAUTHORIZED ARRANGEMENT OF PLAINTIFFS' COPYRIGHTED MUSICAL COMPOSITIONS

The plaintiffs allege that the defendants are jointly and severally liable for the unauthorized creation of a new arrangement of plaintiffs' copyrighted musical compositions. To sustain this allegation, the plaintiffs have offered the followng proof:

(a) An alleged "admission" of liability for the creation of a new and unauthorized arrangement by virtue of the statement, "[a]s we have said so many times before, there seems to be no question that our client did not obtain the required license and is liable to your clients under the copyright law," contained in the letter from defendants' attorneys to plaintiffs' attorneys, dated March 12, 1964. (PTO, p. 8, ¶ 15)

This informal acknowledgment of liablity "under the copyright law" by the defendants was intended to imply an admission to liahility under 17 U.S.C. § 101(e) and not under 17 U.S.C. § 101(b). The admission must be taken in the context of the entire letter, which refers to pre-

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vious and continuing attempts by defendants to tender proper royalty payments and penalties to plaintiffs pursuant to 17 U.S.C. § 101(e). (See PTO, pp. 6-9, ¶¶ 3[a] [12]-3[a] [15]; SM 120-127)

(b) An alleged "admission" binding upon all defendants to this action contained in the record jacket of Plaintiffs' Exhibit 13, which boldly announces, "[t]hat everyone, young and old alike, will know the words goes without saying because here we have seventeen (17) all time favorites from the 'Roaring 20's'—all decked out in bright and shiny new Latin dance arrangements—Cha Cha, Mambo, Pachanga and Merengue. • • • [I]n this album you'll find something completely new—authentic Latin treatments of familiar songs that still manage to keep the flavor and feeling of the originals."

This acknowledgment by defendants of "New Latin dance arrangements" and "authentic Latin treatments" displayed as promotional advertising upon the jacket of Plaintiffs' Exhibit 13 is not even "some evidence" of the making of a new and unauthorized arrangement of plaintiffs' musical compositions. The phrase "Latin dance arrangements" may indicate merely that the tempo or rhythm of the piece has been altered for dancing purposes; and the phrase "authentic Latin treatments" may refer exclusively to interpretation or emphasis supplied by the current artists to the original arrangement. No proof was adduced on trial describing or analyzing the various recordings or so-called "arrangements." No expert testimony was presented by the plaintiffs concerning the nature of the musical arrangements, even though in the Pretrial Order plaintiffs specifically reserved the right to call two expert witnesses on this issue. (PTO, p. 18, § 6). Accordingly, in the absence of proof which might import a special context to the language on the record jacket, this court is constrained to construe these particular phrases as ambivalent promotional opinions and

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not as evidence sufficiently compelling to sustain the plaintiffs' burden of proof.

(c) An alleged judicial admission by defendant Apollo (binding upon all other defendants as joint tort feasors) in the Answer to the Original Complaint (Pl. Exs. 1 and 2), through failure to deny ¶¶ 15, 33, 49, 66, 82, 98, 115, 131, 147, 164 of the Original Complaint, which charges that said defendant "made and produced, and distributed, vended and sold, an arrangement and adaptation of said musical composition."

(d) An alleged judicial admission by Apollo (binding upon all other defendants as joint tort feasors) in the Answer to the Amended Complaint, through failure to deny ¶¶ 15-16, 34-35, 51-52, 70-71, 88-89, 106-107, 125-126, 143-144, 160-161, 179-180, which charges that said defendant "made and produced, or contributed to or participated or [was] concerned in, the making and production of, a new and original arrangement and adaptation of said musical composition • • •."

It will be noted in connection with items (c) and (d) above that defendants Apollo, George Albert and Carl Le Bow in ¶ 3(c)(7) of the Pretrial Order stated: "upon the trial hereof, defendants, Apollo, *Et Al.*, will move to amend their answer to affirmatively allege a denial to making any new or original arrangements of plaintiffs' material, except to the extent that any recording thereof may be considered a new arrangement." On September 25, 1968, at a Pretrial Conference held before this court with attorneys for all parties present, Samuel A. Zimbalist, attorney for defendants Apollo, George Albert and Carl Le Bow made and argued such a motion, which was granted by this court. (Hearing, September 25, 1968, pp. 15-24)

The defendants' final Amended Answer to the Amended Complaint sufficiently explains these failures to deny var-

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ious allegations of the Original and Amended Complaints. (See Pl. Exs. 1 and 2, the Amended Complaint and Answer thereto, and hearing, September 25, 1968, pp. 15-24) Defendants deny making any new or original arrangements of plaintiffs' material, *except to the extent that any recording thereof may be considered a new arrangement.* (Hearing, September 25, 1968, p. 16)

The precise questions at issue in this claim were decided in the case of *Edward B. Marks Music Corporation* v. *Foullon,* 79 F. Supp. 664 (S.D.N.Y. 1948), aff'd 171 F. 2d 905 (2d Cir. 1949). In a closely reasoned opinion which examined the distinctions between 17 U.S.C. § 101(b) and 17 U.S.C. §§ 1(e) and 101(e), Judge Goddard held that the separate and distinct right to make an arrangement and version of a musical composition is limited to printing, reprinting, publishing, copying, or vending, and does not cover the right to mechanical reproduction. Observing that an intellectual conception is not protected apart from the manner of its use, Judge Goddard noted that

> "To hold that the separate and distinct right to make a version and arrangement also existed in connection with the right to mechanical reproduction, would be to rewrite the section so as to add to subsection (a) [17 U.S.C. § 1] the right to mechanical reproduction. This the Congress has steadfastly refused to do on the ground that to grant to the copyright owner the right to control the arrangement and version of the mechanical reproduction would be to create an opportunity for the birth of mechanical trusts. * * *" 79 F. Supp. at 666.

Particularly applicable to the present facts are the following trenchant observations:

> "It is also to be noted that the requirement that a 'compulsory licensee' be limited in its use in me-

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> chanical reproduction to the use originally made or granted by the plaintiff in the initial mechanical reproduction, has been liberally construed. This requirement has been said to mean that the reproduction need not be identical, but that *some latitude must be allowed to each manufacturer to prepare an individual instrumental or vocal arrangement of the composition.* Shafter, Musical Copyright (1932), p. 230; Third Copyright Law Symposium, 1940, pp. 123-124." *Id.* at 667. (Emphasis supplied.)

In the instant case, there has been no shred of proof demonstrating that these so-called "arrangements" were anything more than individual artistic interpretations of the "standard arrangement," whatever they may be. It is clear, however, that plaintiffs have duly licensed the production of records with Latin dance arrangements such as Cha Cha, Mambo, Pachanga, and/or Merengue under 17 U.S.C. § 101(e), without claim of an infringement of 17 U.S.C. § 101(b). (Finding of Fact 13) Furthermore, as Judge Goddard observed:

> "There is no evidence showing either the mechanical reproduction initially made by the plaintiff or by its licensee, nor in what way the defendants' version and arrangement differed from it. For that reason alone the claim is not sustained." *Edward B. Marks Music Corporation* v. *Foullon,* 79 F. Supp. at 666-667.

In the present case, plaintiffs have produced no evidence showing the nature of the mechanical reproduction originally made, no evidence demonstrating the nature of the original printed arrangement, and no evidence demonstrating the differences between the so-called "arrangements" of defendants and the "standard" mechanical reproduction or printed arrangement.

Accordingly, the plaintiffs have not sustained their burden of proof on this claim. Even if they had adduced

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sufficient evidence to demonstrate the existence of a new arrangement contained upon Plaintiff's Exhibit 13, their proper remedy would lie under 17 U.S.C. § 101(e), and not under 17 U.S.C. § 101(b).

II.

THE ADMITTED VIOLATION OF 17 U.S.C. § 101(e), BY THE UNLICENSED PRODUCTION AND SALE OF MECHANICAL REPRODUCTIONS OF PLAINTIFFS' COPYRIGHTED MUSICAL COMPOSITIONS.

A. ROYALTIES

Defendant Apollo admits the manufacture of phonograph records, serving to reproduce mechanically various interpretations of plaintiffs' compositions, without any license or authorization therefor, and without service of a notice of intention to use said musical compositions, thereby infringing plaintiffs' respective copyrights in these musical opera. (See Findings of Fact 4 and 5; 17 U.S.C. §§ 1[e] and 101[e]; *Reeve Music Co.* v. *Crest Records, Inc.*, 285 F. 2d 546 [2nd Cir. 1960]; *Shapiro, Bernstein & Co.* v. *Remington Records, Inc.*, 265 F. 2d 263 [2nd Cir. 1959].)

17 U.S.C. § 1(e) provides in pertinent part as follows:

> "* * * as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof. * * *

"In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable counsel fee, and the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount. * * *"

17 U.S.C. § 101(e) provides in pertinent part as follows:

"* * * whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by regstered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice; and in case of his failure so to do the court may, in its discretion, in addition to sums hereinabove mentioned, award the complainant a further sum, not to exceed three times the amount provided by section 1, subsection (e), of this title, by way of damages, and not as a penalty, and also a temporary injunction until the full award is paid."

Apollo is the admitted "manufacturer" of Plaintiffs' Exhibit 13; it conceived, planned, executed, promoted and sold the offending recordings. In the process of creating Plaintiffs' Exhibit 13, Apollo engaged the services of mastertone to record, mix, edit, and master the recording, and of Silver Park to press long-playing records discs and ship such records to designated distributors. It appears from Defendants' Exhibit F, which this court has

no reason to mistrust (cf. *Shapiro, Bernstein & Co.* v. *Remington Records, Inc.*, 265 F. 2d 263 [2nd Cir. 1959]), that a total of 3,086 records were pressed by Silver Park and purchased by Apollo, of which 494 were distributed free of charge and a total of 1,684 records were sold. (Finding of Fact 14) Accordingly, based upon the figure of 3,086 records actually manufactured, plaintiffs are entitled to royalties from defendant Apollo pursuant to 17 U.S.C. § 1(e), at the rate of $0.02 per infringement for each record manufactured, based upon the extent of their propriety interest as established by Findings of Fact 3 and 15. The total amount of this award for royalties, exclusive of damages, is $548.29. (Finding of Fact 15)

B. Damages

As the Court of Appeals for the Second Circuit has observed, "it is vital for the copyright proprietor to have prompt notice." *Shapiro, Bernstein & Co.* v. *Remington Records, Inc.*, 265 F. 2d 263 (1959). Since the notice provisions are the "keystone" of the mandatory licensing scheme under the Copyright Law, violations should be dealt with strictly. *Norbay Music, Inc.* v. *King Records, Inc.*, 249 F. Supp. 285, 289 (S.D.N.Y. 1966). And it is no excuse that the defendants relied upon a custom or trade practice of awaiting completion of manufacture and distribution of a recording before filing a notice of intention to use copyrighted material or accounting to plaintiffs pursuant to a request properly directed to defendants some four and one-half months before compliance. (Findings of Fact 16-19) See *Famous Music Corporation* v. *Seeco Records, Inc.*, 201 F. Supp. 560 (S.D.N.Y. 1961), and cases cited therein at page 566; *Southern Music Publishing Co., Inc.* v. *Seeco Records, Inc.*, 200 F. Supp. 704 (S.D.N.Y. 1960).

In mitigation of this violation, however, it must be noted that Apollo has always admitted its liability under

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§101(e), has continuously attempted to account to plaintiffs for liability under § 101(e) since June 1962, has in no way attempted to camouflage its identity as the manufacturer of the album, has never attempted to frustrate the assessment of damages by concealment of records, and has openly relied upon an industry-wide practice which, while no excuse to liability, still affords some measure of explanation for conduct. Accordingly, in the exercise of my discretion to award a further sum not to exceed three times the $548.29 due as royalties, I set the damages at $548.29, thus assessing a royalty of $1,096.58 total. (See Finding of Fact 20)

C. Attorneys' fees

Like treble damages, counsel fees may be awarded in the discretion of the court where warranted by the circumstances of the case. 17 U.S.C. § 116. According to the Second Circuit, the "* * * provision for attorneys' fees * * * has been sparingly used and the amounts awarded modest." *Orgel* v. *Clark Boardman Co.*, 301 F. 2d 119, 122 (2nd Cir.), cert. denied, 371 U. S. 817 (1962). As Judge Bryan of this court has noted, "[p]erhaps one reason for this restrictive interpretation is that the counsel fees provision was designed 'to penalize the losing party as [well as] to compensate the prevailing party,'" (citations omitted). *Norbay Music Inc.* v. *King Records, Inc.*, 249 F. Supp. 285, 289 (S.D.N.Y. 1966). As Judge Bryan also noted in his carefully considered opinion, the cases reveal that a fee allowance is rarely made where there are unsettled issues of law and fact. The case at bar certainly does not disclose a "highly technical argument" on the part of the defendant, *Mailer* v. *RKO Teleradio Pictures, Inc.*, 332 F. 2d 747, 749-750 (2nd Cir. 1964), nor a "lack of substance" to its contention, *Boucher* v. *Du Boyes, Inc.*, 253 F. 2d 948, 950 (2nd Cir. 1958) (*per curiam*), factors which in the past have influenced the Second Circuit to authorize an award of counsel fees.

In short, in the case at bar, as in *Norbay Music, Inc.*, v. *King Records, Inc., supra*, by no stretch of the imagination was defendants' claim "so lacking in merit as to present no arguable question of law," nor was it designed to annoy, "vex or harass" the plaintiffs. *Cloth* v. *Hyman*, 146 F. Supp. 185, 193 (S.D.N.Y. 1956). Indeed, it appears from the record that the plaintiffs themselves proceeded capriciously and in bad faith by refusing to accept royalties tendered while insisting upon expanded damages under 17 U.S.C. § 101(b). Accordingly, in the exercise of discretion, I shall deny counsel fees in this case.

III.

Alleged liability of Mastertone, Gene Sayet and Sidney Feldman.

In *G. Ricordi & Co.* v. *Columbia Graphophone Co.*, 270 Fed. 822 (S.D.N.Y. 1920), the District Court affirmed a determination by a Special Master that the various steps taken to produce a record stamper were all essential to the manufacturer and that the party who made all the arrangements was deemed to be the manufacturer. In *Edward B. Marks Music Corporation* v. *Foullon*, 79 F. Supp. 664 (S.D.N.Y. 1948), aff'd 171 F. 2d 905 (2nd Cir. 1949), the District Court dismissed the complaint of a musical copyright owner against the record pressing company on the grounds that such a subcontractor was not a "manufacturer" within the meaning of 17 U.S.C. § 1(e). In *Reeve Music Co.* v. *Crest Records, Inc.*, 285 F. 2d 546 (2nd Cir. 1960), the Second Circuit Court of Appeals held that, under 17 U.S.C. § 101(e), the "manufacture" of records in violation of this statute is an active infringement, that infringement of a copyright is a tort, and that all persons concerned therein are jointly and severally liable as joint tort-feasors. The court determined, upon the particular facts in the case, that where defendants were

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affiliated corporations, conducting their operations at the same address, and one of the defendants produced a "master stamper" which the other defendant used to "press" a number of records, whether or not the separate act performed by each defendant constituted "manufacture," the two defendants, acting in concert, "manufactured" the offending recording within the meaning of 17 U.S.C. § 101(e).

In the present case, as in *Edward E. Marks Music Corporation* v. *Foullon, supra,* the general manufacturer, in this case Apollo, hired the artists, recording studio and pressing plant. Apollo did not act "jointly" or in "concert" with Mastertone, nor did it conduct a business at a joint address with Mastertone. Apollo was the general manufacturer and general contractor in fact as well as name. Accordingly, on the authority of *G. Ricordi & Co.* v. *Columbia Graphophone Co., supra,* and *Edward B. Marks Music Corporation* v. *Foullon, supra,* the Complaint and Amended Complaint must be dismissed on the merits as to defendant Mastertone. It, therefore, follows that the Complaints and Amended Complaints against Gene Sayet and Sidney Feldman, who acted merely as employees of Mastertone and who held no other position in the manufacturing process, must be dismissed on the merits.

IV.

Alleged liability of George Albert and Carl LeBow as joint tort-feasors with Apollo.

While it is undeniably true that all persons concerned in the infringement of a copyright are jointly and severally liable as joint tort-feasors, *Gross* v. *Van Dyk Gravure Co.,* 230 Fed. 412 (2nd Cir. 1916), the controlling cases in this circuit on the issue of liabiilty of the officers and employees of a corporate "manufacturer" who violates

17 U.S.C. §§ 1(e) and 101(e) are the District Court and Court of Appeals decisions in *Edward B. Marks Music Corporation* v. *Foullon,* 79 F. Supp. 664 (S.D.N.Y. 1948), aff'd 171 F. 2d 950 (2nd Cir. 1949). In the opinion of the District Court, the status of Foullon as president of United Masters, Inc., the general manufacturer, was conceded. It appears that Foullon engaged artists, hired a recording studio, hired an electroplating plant, hired a pressing plant, and supervised the sales of all records so produced. In other words, Foullon was a combination of George Albert and Carl LeBow. The District Court held as follows:

> "Although plaintiff cites cases where individuals were held liable for what appeared to be the acts of corporate bodies, these cases all concern individual liability where there has been infringement by a corporate body. The case at bar is void of any element of infringement.
>
> "The record shows that Foullon served as an officer of United Masters, Inc., but all the actions in the manufacturing of the records were done as corporate acts. The Copyright Act makes the manufacturer liable; it does not refer to the officers, agents or employees." *Id.* at 667.

The District Court thereupon dismissed the Complaint and the Amended Complaint against Foullon on the merits. This determination was approved by the Second Circuit Court of Appeals.

In *Foullon,* the District Court obviously used loose language in referring to "any element of infringement." However, from a careful reading of the entire opinion, it is clear that the court was referring to "infringement" under 17 U.S.C. § 101(b) rather than § 101(e), or § 1(e). Thus, the District Court held that the precedents binding individuals for corporate acts which involve violation of

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§ 101(b) and related statutes do not similarly apply to violations of § 1(e) or § 101(e), thereby justifying a determination that United Masters was liable for royalties and damages under §§ 1(e) and 25 (the predecessor of 17 U.S.C. §§ 101[b] and [e]). The Court of Appeals considered and affirmed the holdings of the District Court, thereby foreclosing further argument of the matter.

Accordingly, the Complaints and Amended Complaints against George Albert and Carl LeBow must be dismissed on the merits.

CONCLUSIONS OF LAW

1. This court has jurisdiction over the parties and the issues pursuant to Title 17 United States Code and Title 28 U.S.C. § 1338.

2. All causes of action against George Albert and Carl LeBow, an officer and employee respectively of defendant Apollo, must be dismissed on the merits.

3. All causes of action against Mastertone, Gene Sayet and Sidney Feldman must be dismissed on the merits.

4. All causes of action against Apollo predicated upon 17 U.S.C. § 101(b) must be dismissed on the merits.

5. Plaintiffs are entitled to the sum of $1,096.58, representing payment in full for all royalties due and owing from Apollo under 17 U.S.C. § 1(e), together with a discretionary increment constituting damages under 17 U.S.C. § 101(e).

6. The plaintiffs are entitled to costs against defendant Apollo, but they are not entitled to any counsel fees.

Settle judgment on notice pursuant hereto.

Dated: New York, N. Y., March 27, 1969.

RICHARD H. LEVET,
United States District Judge.

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POINT I

A copyright owner of a published work does not have the exclusive right to make new arrangements by mechanical reproductions.

The case of *Edward B. Marks Music Corporation* v. *Foullon,* is analogous to the case at bar in many material aspects. In the *Foullon* case, the defendant, United Masters, Inc., made a new arrangement by mechanical reproduction of plaintiff's copyrighted work, without permission and, amongst other causes of action, the plaintiff sued for damages for copyright infringement under Sections 1 (e) and 25 (e) of the Copyright Act of March 4, 1909. The primary question involved was whether the exclusive right to make new arrangements extended to mechanical reproductions and the Court unequivocally answered the question in the negative. The *Foullon* case exhaustively reviews the subject in all its aspects and holds (at pp. 666-7):

> "Section 1(e) of the Act of 1909 provides in part that the copyright owner shall have the exclusive right 'To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: * * *'. Subdivision (a) is the right to 'print, reprint, publish, copy and vend the copyrighted work'. Thereafter, it is evident that the separate and distinct right to make an arrangement and version is limited to printing, reprinting, etc. It does not cover or include the right to mechanical reproduction. Those rights in subdivision (a) are separate and distinct from the right to mechanical reproduction. Corcoran v. Montgomery Ward &

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Co., 9 Cir. 121 F. 2d 572. It is well settled that the intellectual conception is not protected apart from the manner of its use. Corcoran v. Montgomery Ward & Co., supra; it is also settled that the manner of use in mechanical reproduction is not covered by the provisions of subsection (a) printing, etc. White-Smith Music Pub. Co. v. Appollo Co., 209 U. S. 1, 28 S. Ct. 319, 52 L. Ed. 655, 14 Ann. Cas. 628. This right of mechanical reproduction set forth in subsection (e) is distinct from the rights set forth in subsection (a) and also the right to publicly perform for profit set forth in subsection (e). Interstate Hotel Co. v. Rennick Music Corporation, 8 Cir., 157 F. 2d 744; White-Smith Music Publishing Co. v. Appollo Co., supra.

"To hold that the separate and distinct right to make a version and arrangement also existed in connection with the right to mechanical reproduction, would be to rewrite the section so as to add to subsection (a) the right to mechanical reproduction. This the Congress has steadfastly refused to do on the ground that to grant to the copyright owner the right to control the arrangement and version of the mechanical reproduction would be to create an opportunity for the birth of mechanical trusts. See Committee Report (2222) contained in the 'Copyright Law' by Herbert A. Howell, p. 194; Proposed Amendment of the Act of 1909, Congressional Record of January 8, 1940, Senate, pp. 134-149. Congress has recently as July 30, 1947 refused to change or extend the rights of the copyright owner in the way the plaintiff urges this court to do. See Copyright Act of July 30, 1947 Section 1 (e) enacted without change 17 U.S.C.A. Section 1 et seq. supra.

"The court may not create a right which the Congress has seen fit not to grant."

To be sure the court goes on to state other reasons why the contention of the copyright owner cannot be sustained

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but none of these detract from the logic, the precedence and the validity of the reasoning above set forth.

On the *Foullon* appeal, Judge L. Hand restated the law at page 907, as follows:

> "Section 1(e) gives only a limited protection to musical compositions against reproduction by phonographic records; and evinces that unfriendliness towards extending the copyright of musical compositions to mechanical reproduction, which goes back to White-Smith Music Publishing Co. v. Appollo Company. This has apparently become embedded in the very foundation of the subject; for the several efforts which have been made to persuade Congress to be less meagre in relief have failed. Thus, it still remains true that any owner, who himself so uses his composition, or who even consents to such use by others, gives a license to all at a royalty of two cents. Anyone, who takes advantage of the license, must, however, make monthly statements of his sales, if the owner demands it, and monthly payments of his royalties before the twentieth day of the month after they are made. Moreover, Section 1(e) allows the judge to triple the royalties against him if he defaults in his payments; and Section 25(e) does the same if he does not serve upon the owner notice of his intention in advance. These are the measure of the rights and liabilities under the compulsory license. * * *"

Judge Hand further holds "arrangement" to be almost analogous with any new use (at p. 908):

> "* * * For, when United Masters declared that it planned to 'press' records for the group of performers, it was at once evident that it must have an 'arrangement' of the song. When, therefore, both parties agreed to the 'use' of the song in records, they could have meant only that particular 'use'."

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POINT II

The general damage provisions of Section 101(b) are not applicable to the infringement of a musical copyright by mechanical reproduction.

The *Foullon* decisions, *supra,* clearly established the principle that Section 101 (b) did not apply to mechanical reproductions, i.e., phonograph records. The case of *Shapiro, Bernstein & Co.* v. *Goody,* 139 F. Supp. 176, rev. other grounds, 248 F. 2d 260, reaffirms that holding. It first illustrates that prior to 1909 musical copyright proprietors had no protection against record manufacturers (at p. 181):

> "• • • Under the copyright laws existing prior to 1909, 'the author, inventor, designer, or proprietor of any book, map, chart, dramatic or musical composition (had) the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing and vending the same.' White-Smith Music Co. v. Apollo Co., 1907, 209 U. S. 1, 9, 28 S. Ct. 319, 52 L. Ed. 655. This is similar to the protection accorded a copyright proprietor today under 17 U.S.C. Section 1(a); yet, in the Apollo case, supra, the Supreme Court held that this list of rights did not protect the copyright proprietor from one who mechanically reproduced the sound of a musical composition on a piano roll or similar mechanical device (e.g. recordings). While agreeing that the purpose of the copyright law was to protect intellectual conceptions, the Court maintained that it was the tangible result of the conception which alone was protected from copying, and the tangible result of the composer's art was the sheet music by which one versed in the art could read his score. The Court defined a copy of a musical composition as ' "a written or printed record of it in intelligible notation." ' The appeal of a copy must be to the eye, not the ear. It said, 'It may be true that in a broad

sense of a mechanical instrument which reproduces a tune copies it; but this is a strained and artificial meaning.' Id., 209 U. S. at page 17, 28 S. Ct. 323. The Court found its conclusion regrettable in that record and piano roll manfacturers were thus getting a profitable use of musical compositions without paying value therefor, but it stated that this was a consideration properly addressed to the legislature and not to the courts. * * *"

Judge Kaufman then discusses the extension of the law to afford the degree of protection that exists today, going at length into the legislative intent and its primary motivation to avoid a music trust, and illustratng clearly the deliberate legislative purpose to make separate and distinct penalty provisions with relation to mechanical reproductions and to withhold the general copyright infringement provisions. Judge Kaufman also considers the contention that the general copyright infringement provisions were applicable in view of defendants' failure to file for a compulsory license and illustrates the fallacy of that argument.

On appeal, the Court affirmed this view (at p. 265):

"* * * We conclude, as did Judge Kaufman, that under the statutory scheme the general damage provisions of Section 101(b) are not applicable to the infringement of a musical copyright by mechanical reproduction. * * *"

"* * * But when the Copyright Act of 1909 extended copyright control to the reproduction of music by mechanical parts a different regulating plan was adopted and a different basis of recovery was provided which, we think, is in essential conflict with the measure of recovery under Section 101(b). For the royalty under the compulsory license provided by Section 1(e), which Congress set arbitrarily at 2¢ per

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record, was a form of statutory compensation which by its very nature measured the damages resulting from its non-payment. That this was so is indicated by the wording of Section 101(e) which provided for the recovery of the royalty 'in lieu of profits and damages.' Since, under the statutory scheme, recovery of the statutory royalty afforded the measure of compensation which Congress contemplated for the owner, the difficult problem of proof which is presented in cases not controlled by a royalty does not arise and there is hence no need in such cases for the application of the $5,000 maximum and a $250 minimum which Congress provided for other types of infringement under Section 101(b) as a substitute for proof of actual damages. For cases under Section 101(e), the basic royalty of 2¢ is both maximum and minimum; as to this basic amount there is no discretion. In view of this conflict between the scheme envisaged by Section 101(b) and that of Section 101(e), we think the specific statutory sections concerned with parts serving to reproduce mechanically the musical work, which are also textually and chronologically later than Section 101 (b), should control the general provisions. Townsend v. Little, 109 U. S. 504, 3 S. Ct. 357, 27 L. Ed. 1012; United States v. City of Chester, 3 Cir., 144 F. 2d 415; United States v. Windle, 8 Cir., 158 F. 2d 196. * * *"

The Courts have never held that the provisions of Section 101(b) may be applied to infringement of musical copyright by mechanical reproduction. The clear legislative intent, the wording of the statute, the legal precedence, the industry acceptance, and all reason and logic establish Section 101(e) as the sole measure of protection of musical copyrights infringed by mechanical reproduction.

This Court has properly found that Apollo has always been and continues to be ready, able and willing to pay any and all royalties, penalties and costs under 101(e) (Finding 18).

POINT III

Punitive damages are discretionary with the Court and should be allowed only where merited.

Defendants were not analogous to record pirates, as in the *Goody* case, *supra,* where the infringing record albums did not disclose the manufacturer's true name, business address or other listing. In the instant case there was ready and complete self-identification. A dishonest intent would have had to be accompanied with some effort to camouflage the source.

Immediately upon the start of this lawsuit, your briefer, as counsel for defendant, Apollo, tendered full copyright royalties plus reasonable counsel fees and costs, to plaintiff's counsel. Plaintiff's counsel refused the offer and stated further that he was not willing to settle the action under any terms except upon the computaion of full penalties under Section 101(b). Since then the offer of settlement was repeated on many occasions and on each occasion plaintiffs refused to negotiate. Plaintiffs' counsel has insisted on making this a test case to establish the applicability of 101(b), a contention that has been constantly and repeatedly rejected by the Court. This arbitrary disregard of the interests of an already over-burdened court structure and harassment of the defendant should not be rewarded by counsel fees or punitive damages.

The Court found, as set forth in its discussion, "Indeed, it appears from the record that the plaintiffs themselves proceeded capriciously and in bad faith by refusing to accept royalties tendered while insisting upon expanded damages under 17 U.S.C. § 101(b)."

The case of *Khan* v. *Leo Feist, Inc.,* D.C.N.Y. 1948, 78 F. Supp. 754, held that where a copyrighted song is infringed and defendant is required to account, the accounting will follow the ordinary rules governing equity and, as

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against the publisher of a song, the owners of a copyright which was infringed could not recover profits made after they discovered infringement but made no objection, although they might recover all profits reaped by actual piracy. See also, *Haas* v. *Leo Feist, Inc.*, D.C.N.Y. 1916, 234 F. 105.

An award of damages for infringement must be compatible with judicial discretion. *Advertisers Exchange* v. *Hinkley*, C. A. Mo. 1952, 199 F. 2d 313; *Kraft* v. *Cohen*, D.C.P.A. 1940, 32 F. Supp. 821, rev. other gr. 117 F. 2d 579; *Shapiro, Bernstein & Co.* v. *Bleecker*, 224 F. Supp. 595.

POINT IV

Counsel fees should be denied where it appears that plaintiff proceeded capriciously and in bad faith.

In the light of the Courts findings, wholly substantiated by the evidence, that plaintiff proceeded arbitrarily, capriciously and in bad faith, it was proper for the Court to deny Counsel fees to plaintiff. Orgel v. Clark Boardman Co., Norbay Music, Inc. v. King Records, Inc.; Mailer v. RKO Teleradio; Boucher v. Du Boyes, Inc.; Cloth v. Hyman.

POINT IV

No cause of action is established against the individual defendants.

Plaintiffs bring in the individual defendants on the theory that every person who performs any work or service in the production of the infringing mechanical reproductions is severally liable under Section 101(b). There is no precedence for such a contention and in the absence of a clear showing of tortious intent such a contention cannot be sustained. Otherwise an innocent infringement by

a moderate sized record manufacturer would subject thousands of individual employees to personal liability for the infringement of its employer.

In fact the point is academic here since defendant Apollo has always been ready, able and willing to pay and has tendered payment of the judgment in full.

The remaining points made by Plaintiffs-Appellants are adequately discussed and incontrovertibly disposed of in the courts findings and discussion which have been made a part of this brief.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that this petition for a writ of certiorari should be denied.

Dated: New York, April 14, 1970.

Respectfully submitted,

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